

STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission	)	
On Its Own Motion	)	
	)	
v.	)	Docket No. 01-0469
North Shore Gas Company	)	
	)	
Proposal to Implement Riders SVT and	)	
AGG, and Revise Rider 2, Terms and	)	
Conditions, and Table of Contents.	)	

**NOTICE OF FILING**

**PLEASE TAKE NOTICE** that on this date, February 5, 2002, we filed with the Chief Clerk of the Illinois Commerce Commission the enclosed People of the State of Illinois' Reply Brief on Exceptions to the Administrative Law Judge's Proposed Order via e-docket to the Chief Clerk of the Illinois Commission at 527 East Capitol Avenue, Springfield, Illinois 62794-9280.

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**CERTIFICATE OF SERVICE**

I, Erika D. Edwards, an Assistant Attorney General, hereby certify that caused to be served the above identified documents upon all active parties of record on the attached service list by United States Mail, first class postage prepaid on February 5, 2002, and/or by electronic mail to all active parties.

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**PEOPLE OF THE STATE OF THE STATE OF ILLINOIS’**  
**REPLY BRIEF ON EXCEPTIONS TO**  
**THE ADMINISTRATIVE LAW JUDGE’S PROPOSED ORDER**

NOW COME the People of the State of Illinois, by James E. Ryan, Attorney General of Illinois, (“The People”) and hereby file their Reply Brief on Exceptions to the Administrative Law Judge’s Proposed Order (“PO”) in the above-entitled matter.

**I. The Commission Should Reject the Company’s Proposal to Limit the Daily Delivery Tolerance Levels**

In its Brief on Exceptions the Company proposes that the Commission alter the Administrative Law Judge’s Proposed Order (“PO”) and limit the daily tolerance levels the Company provides to SVT Suppliers to 3% or in the alternative no more than 5%.(North Shore Gas Brief on Exc. at 6.) The Company asserts that it “should not be compelled to offer what it does not have, nor should SVT Suppliers receive the benefits of assets beyond their cost contribution for those assets.”(*Id.*) This assertion is inaccurate and this proposal should be rejected.

The Company suggests that the daily tolerance level for SVT Suppliers should be limited to 5% because the Natural Gas Pipeline Company of America (“NGPL”) provides the Company with a 5% daily tolerance level. (North Shore Gas Brf. on Exc. at 5.) The Company is suggesting that the daily tolerance level for SVT Suppliers be tied to the daily tolerance that the Company

receives from NGPL.(North Shore Gas Brf. on Exc. at 5.) What the Company fails to also reveal is that it also purchases a number of other services from NGPL that affect tolerance levels. (GCI Ex. 2.0 at 6.) GCI witness Mierzwa explains these services with the following statements:

“NGPL’s Rate Schedule FTS provides a shipper such as North Shore Gas the opportunity to select various balancing options including a no-notice balancing option. Under this option, shippers can cure imbalances through no-notice storage injections and withdrawals under a contract storage service the shipper purchases from NGPL. Utilizing these NGPL services, shippers are always in balance under their GTS arrangement because any differences between nominated deliveries on behalf of the shipper and actual deliveries to the shipper are cured through no-notice storage injections and withdrawals.” (GCI Ex. 2.0 at 6.)

As indicated by the testimony above the agreement between North Shore Gas and NGPL provides the Company with more flexibility in storage than a strict 5% tolerance level. The agreement between the Company and SVT Suppliers and the agreement between the Company and NGPL do not mirror each other. The distinctions in these agreements makes it essential that the daily delivery tolerance level for SVT Supplies should not be tied to the tolerance level provided to the Company by NGPL. The Commission should reject this proposal and support the conclusion reached by the Administrative Law Judge in the PO.

## **II. The Company’s Proposal to Modify the Cost of Gas Used to Calculate the Storage Inventory Carrying Costs Should be Rejected**

In its Brief on Exceptions the Company challenges the cost of gas used to calculate the credit for storage inventory carrying costs. (North Shore Gas Brf. on Exc. at 15.) The Company initially suggests that the appropriate price is 11.1 ¢ per therm. (*Id.*) The company suggests this figure because that is the cost of gas reflected in base rates. (*Id.*) The 11.1 ¢ per therm suggested by the Company was determined in the Company’s 1995 base rate proceeding. (GCI Ex. 2.0 at 11.) This suggestion is flawed and should be rejected. The Company currently cannot buy gas at the cost of 11.1¢ per therm. “To compute an adjustment for storage inventory savings,

current stored gas costs and current storage capacity inventory quantities, not those reflected in the Company's 1995 base rate case, should be utilized because that is the cost actually incurred by the Company and SVT Suppliers.”(GCI Ex. 2.0 at 11.)

The Company suggests in the alternative that a more current NYMEX figure of \$0.24 per therm be used. (North Shore Gas Brf. on Exc. at 16.) This price should be rejected because this price was never presented the record. The Company should not be permitted to supplement testimony in its Brief on Exceptions.

Furthermore, the use of this figure is inconsistent with other arguments presented by the Company in its Brief on Exceptions. The Company chose the NYMEX figure of \$0.24 per therm based on the average of futures prices for contracts for April 2002 through October 2002. (North Shore Gas Brf. on Exc. at 16.) The date range of April 2002 through October 2002 is inconsistent with the date range suggested throughout the Company's Brief on Exceptions. For example, when addressing the data which should be used to assess the appropriate number of customers to receive the storage inventory carrying cost credit, the Company proposes using a multi-year average covering the period of 2002-2005. (*Id.* at 14.) If this same approach was applied to gas costs as well the correct figure for the price of gas would be \$0.32 cents as opposed to the \$0.24 recommended by the Company or th \$0.29 used in the PO. (NYMEX Website Feb. 4, 2002 at [www.nymex.com](http://www.nymex.com))

The Commission ruling should be based upon evidence in the record. The PO correctly determines the price of gas at \$0.29 per therm based on record evidence. The Company's proposal is beyond the scope of the record, is inconsistent with the other arguments presented by the Company, and should be rejected. The Commission should use the \$0.29 per therm determined by the record to calculate the savings due to storage inventory carrying costs.

### **III. The Expanded Enrollment Limits Proposed By New Power Should Only Be Implemented if Stranded Costs to Sales Customers Can Be Avoided**

In its Brief on Exceptions the New Power Company (“New Power”) recommends that the enrollment limits created by the PO be eliminated. (New Power Brf. on Exc. at 4.) New Power argues in the alternative that if open enrollment is not permitted, that the enrollment limits be increased to 25% for rate 1 customers in the first year, 38% in the second year and up to 50% in the third year. (*Id.*) Open or increased enrollment limits should only be permitted if SVT Suppliers accept assignment of pipeline capacity which would otherwise result in stranded costs.

“The enrollment limits proposed by the Company are primarily designed to protect customers who continue to purchase sales service from paying for stranded, or unnecessary, interstate pipeline capacity.”(GCI Ex. 2.0 at 15.) Customers who continue to purchase sales service from the Company should not be required to pay for the capacity necessary for the Company to provide service to them plus the capacity formerly used to provide service to customers who choose to participate in the Choices for You Program. (*Id.* ) Open enrollment should only be allowed if SVT Suppliers are required to accept assignment of pipeline capacity to protect customers who remain on sales service from incurring stranded costs.

### **IV The Customer Education Proposal Submitted By CUB/CCSAO Should be Accepted**

In its Brief on Exceptions CUB/CCSAO recommend that customer education be initiated by the following procedures: introducing the Nicor customer education materials as a starting point; a comment process and three workshops. (CUB/CCSAO Brf. on Exc. at 4.) The People support this position and recommend that the Final Order be modified as suggested by CUB/CCSAO at page 4 of its Brief on Exceptions.

**V. Conclusion**

WHEREFORE, for the reasons set forth above, the People respectfully request that the Commission modify the Administrative Law Judge's Proposed Order in accordance with the arguments made above and in their Brief on Exceptions.

Respectfully submitted,

THE PEOPLE OF THE STATE OF ILLINOIS  
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Dated: February 5, 2002

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